



Transmission Services

Unauthorized Increase Charge Business Practice, Version 2

Response to Customer Comments

Posted: April 24, 2014

This document contains the Transmission Customer comments and Transmission Services' response to those comments for the Unauthorized Increase Charge Business Practice V2 Business Practice posted for review from March 27th, 2014 through April 20th, 2014

Thank you for your comments.

Table of Contents

1. Powerex Corp.	2
2. Portland General Electric.....	4

1. Powerex Corp.

BPA's revised business practice on Unauthorized Increase Charges (UIC) states that a UIC will be issued on a transmission bill when a "schedule or schedules" exceed the reservation capacity rights on a Point-of-Receipt (POR) to Point-of-Delivery (POD) path.

It has come to Powerex's attention that this language in BPA's proposed UIC business practice, (as well as similar language in the current BPA business practice), is inconsistent with FERC policy and specific FERC precedent on the appropriate application of UIC. In particular, the Commission has specified that UIC are applicable when (i) a transmission customer's *actual* deliveries exceed its reservation capacity at the POR, or (ii) a transmission customer's *actual* withdrawals exceed its reservation capacity at the POD. In other words, unreserved use penalties must be applied to any shortfall in the transmission capacity that a customer has reserved relative to the transmission service *actually* used.¹ BPA's current and proposed business practice incorrectly apply UIC only when the transmission service the customer has *scheduled* exceeds the transmission service reserved. This approach not only is inconsistent with FERC's policy, but also undermines FERC's stated purpose of these unreserved use penalties - to ensure reliability and the orderly allocation of point-to-point transmission service.

More specifically, in Order No. 890, FERC emphasized that:

Unreserved use penalties are intended, in part, to give transmission customers an incentive to reserve and pay for the appropriate level of transmission service so that transmission service is allocated in an orderly fashion. A transmission customer that uses unreserved transmission service requires the transmission provider to take some action to accommodate the additional use of the system. Some penalty is warranted even in those instances when the transmission provider's accommodations are sufficient to avoid curtailment of transmission service to other customers. Absent a penalty in all instances, transmission customers would have an increased incentive to under-reserve transmission service, which would lead to an increase in the likelihood that system reliability would be impaired. In addition, a transmission customer that uses more transmission service than it has reserved, even in periods when system reliability has not been impaired, has nonetheless disturbed the orderly allocation of transmission service.³

FERC has also made it clear that it does not distinguish between intentional and unintentional unreserved transmission uses, and that all unreserved uses will be subject to operational penalties.

We conclude that maintaining penalties for any unreserved use of transmission service will create the right incentives for customers to take appropriate measures to minimize any unreserved use before it occurs, whether intentional or not. As the Commission noted in Order No. 890, any unreserved use of transmission service can harm reliability and disrupt the allocation of transmission rights. It is therefore appropriate to maintain penalties for both intentional and unintentional unreserved uses.⁴

In Order 890, FERC also stated that it would not be appropriate to exempt any class of customer from unreserved use penalties.

We will not exempt any class of transmission customer from the potential assessment of unreserved use penalties. We do not agree with Seattle's assertion that unreserved use penalties can result in charges that are unjust and unreasonable for intermittent resources, such as wind generators, that can not precisely schedule power in future periods. Unreserved use penalties are based on the transmission capacity reserved rather than the transmission service scheduled, so an

intermittent resource's inability to precisely schedule power in future periods is irrelevant, as long as the resource has reserved sufficient transmission capacity to deliver the resource's full output.⁵

In Order 890-A, the Commission explained why it continued to believe that it would be inappropriate to exempt any type of resource from unreserved use penalties.

While we appreciate that intermittent resources have limited ability to precisely forecast or control generation levels, they are able to reserve sufficient transmission capacity to deliver their full output in the event it is produced, thereby mitigating potential unreserved use penalties. In this regard, intermittent resources are no different than any other generator and, thus, application of unreserved use penalties is not discriminatory. Exempting these or any other type of resource from unreserved use penalties would diminish incentives to reserve adequate transmission to deliver the resource's output, potentially creating reliability problems for the transmission provider and discriminating in favor of the resource in the allocation of transmission rights.⁶

Powerex recognizes that it is likely that most of BPA's transmission customers reserve sufficient transmission capacity to meet their actual energy flows on the grid and thus do not utilize greater transmission than they have reserved.

However, Powerex understands that BPA has difficulty tracking and measuring unscheduled flows on its system in some instances, and that unscheduled flows may be contributing to curtailments of schedules that have been submitted by customers that have reserved sufficient transmission capacity.

One undisputable cause of unscheduled flows is the delivery or withdrawal of energy from the grid in excess of the scheduled amount. If curtailments are the result of deliveries and withdrawals which exceed the reserved transmission capacity on BPA facilities, and unreserved use penalties are not being properly applied, the orderly allocation of transmission rights is undermined. For this reason, FERC has made it clear that penalties are appropriate when a transmission customer delivers or receives energy at a point of receipt/delivery on the grid in excess of its reservation

In view of the unequivocal FERC precedent, and to ensure that customers are appropriately discouraged from using the transmission system in excess of their reserved capacity, Powerex strongly believes that BPA should revise the UIC Business Practice to provide that a UIC will be issued when a customer's deliveries or withdrawals on the grid exceed its transmission reservation capacity at the applicable POR or POD. Moreover, BPA should take steps to ensure all transmission customers that are directly interconnected with BPA's transmission system are subject to BPA's UIC penalties if they contravene the requirements of this UIC business practice.

Powerex realizes that it may take some time for BPA to conduct the necessary technical work to enable it to accurately settle its UIC based on actual deliveries and withdrawals on its system. In this regard, Powerex urges to BPA to amend the business practice immediately but delay applying UIC penalties for no longer than a three month period. This delay would give customers notice of BPA's intention to ensure that customers reserve sufficient transmission capacity, while giving BPA the time it needs to put the appropriate operational measures in place.

Thank you for the opportunity to provide comments.

Transmission Service's Response

The purpose of the current proposed change to BPA's Unauthorized Increase Charge Business Practice was to conform the business practice to BPA's rates policy, which changed in July 2013.

The question whether BPA should adopt a policy of imposing an Unauthorized Increase Charge where actual flows exceed a customer's reservation at a POR or POD is being considered. As Powerex notes, this question presents a number of complex issues, including issues associated with tracking and measuring unscheduled flows as well as other issues. BPA has not established a date by which this analysis will be done.

2. Portland General Electric

Portland General Electric Company (PGE) appreciates the opportunity to comment on Bonneville Power

Administration's (BPA) business practice "Unauthorized Increase Charge, Version 2". As a Point to Point (PtP) transmission customer and remote generation owner, PGE has considerable interest in this

business practice. PGE provides the following recommendations for consideration.

PGE notes that section B.3 "If a waiver or reduction is granted, BPA Customer Billing will issue the Customer an appropriate credit" does not include a time line for response from BP A to the customer requesting the waiver. It is PGE's belief that providing an expected response time reduces repetitive requests to Account Executives and establishes a timeframe expectation for the business practice. PGE suggests a change similar to; "If a waiver or reduction is granted, BPA Customer Billing will issue the Customer an appropriate credit at the next billing cycle."

Transmission Services' Response

BPA will revise B.3 to "If a waiver or reduction is granted, BPA Customer Billing will issue the Customer an appropriate credit as soon as practicable." Credits for granted/reduced UIC waivers are issued as soon after the waiver is approved as possible and may even be issued prior to the next billing cycle so the language about the "next billing cycle" may not fit every case. The process is to revise the original bill with the UIC for a past month, so the credit for the UIC waiver does not go on the next bill issued in the billing cycle.

BPA will add the following to B.2 for expected response time. "Upon receipt of a waiver request, BPA Transmission Services will evaluate and decide whether to grant the waiver within 60 days."

PGE is concerned that BPA chose to remove the examples in Section C in the new version of the business practice. BP A's business practices have traditionally included specific operating cases that provided situational understanding for transmission services customers. PGE has found these examples to be helpful. PGE suggests BPA continue to include examples in the Unauthorized Increase Charge, Version 2 business practice. For efficiency, PGE recommends BPA provide fewer examples in the business practice rather than complete removal.

Transmission Services' Response

The examples were removed to reflect the change of comparing schedule to reservation by POR to POD path and because the calculation is defined in the FY14 Transmission Rate Schedule. In order to provide clarity, BPA has added an example to be included in Section C.

PGE appreciates the work that BPA puts into creating its transmission service business practices. PGE requests a review of the suggested modifications provided above and looks forward to BPA's clarifying comments.